

[REDACTED]

Person-to-Contact: [REDACTED]
[REDACTED]
[REDACTED]

AUG 29 1988

Dear Sir or Madame:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

Information submitted shows you were formed on [REDACTED] and registered with [REDACTED], Department of State, Bureau on Charitable Organizations on [REDACTED], in order to solicit funds from the general public on behalf of your organization. Your purposes are to raise funds for commemorating a family event, as well as benefiting family cohesiveness by exploring history and entertaining cultural activities.

You are a membership organization. Your membership is limited to family and family affiliated individuals of the [REDACTED] family.

You are supported by dues from the family members, the selling of items such as candy, and the participation in community events in which you will operate a booth to sell commodities.

You did not provide any statement of activities as such, nor were you responsive to specific questions asked in the development of your application. In fact, you answered many questions that didn't pertain to your organization.

The financial statements you submitted are incomplete since they show no actual or estimated expenses. Further, you have no organizational document and your by-laws do not address membership activity, officer elections, or how your organization will operate.

Section 501(c)(4) of the Code provides for the recognition of exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people in the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements.

There are a number of published rulings illustrative of the distinction between organizations that serve the community and those that serve only their members or some other restricted class.

Rev. Rul. 55-716, 1955-2 C.B. 263 provides that an organization formed for the purpose of furnishing television antenna service to its members in their homes, for a membership fee and monthly maintenance charge, is not exempt or a club organized exclusively for pleasure, recreation, and other nonprofitable purposes. See also Rev. Rul. 80-205, 1980-2 C.B. 184.

Rev. Rul. 55-716 may be compared with Rev. Rul. 62-167, 1962-2 C.B. 142 which holds that when the television signal service is available to the community as a whole, the organization may be exempt under section 501(c)(4) of the Code.

See also Rev. Rul. 80-302, 1980-2 C.B. 182, and The Callaway Family Association, Inc. v. Commissioner, 71 T.C. 340 (1978) which holds that genealogical organizations formed primarily for members of a particular family can not be recognized under section 501(c)(3) of the Code. Although these are not section 501(c)(4) cases, an analogous position would apply under section 501(c)(4).

Section 501(c)(7) provides for the recognition of clubs recognized for pleasure, recreation, and other nonprofitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder.

Rev. Rul. 67-8, 1967-1 C.B. 142, holds that an organization formed to bring the members of a particular family into closer association through social activities revolving around matters of common genealogical and historical interest may qualify for exemption under section 501(c)(7) of the Code.

No more than 15 percent of an exempt social club's gross receipts may be derived from non members use of club facilities and/or service. Senate Report 94-1318, 2 d session, 1976-2 C.B. 597, 599, explaining P. L 94-568, 1976-2 C.B. 596.

In determining whether an organization is properly described as operated for "social welfare" purposes, the crucial factors to consider are the type of benefits provided and the class of eligible recipients. Although the regulations do not specifically prohibit private benefit or inurement, such a prohibition is a logical extension of the general requirement that social welfare is for the benefit of the general community as a whole and that 501(c)(4) organizations must be operated primarily to promote social welfare.

The term "Social Welfare" as defined in Webster's New World Dictionary is "any service or activity designed to promote the welfare of the community and the individual, as through counseling services, health clinics, recreation halls, and playgrounds". This definition is in alignment with the broad concept of "social welfare" as provided in section 1.501(c)(4)-(a)(2)(i) of the Income Tax Regulations. Additionally, the court in Commissioner v. Lake Forest, Inc. stated that "in short, social welfare is the well-being of persons as a community."

It is clear from the information you have submitted that your organization was organized for the benefit of its members and not for the social welfare of the community.

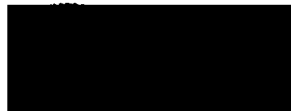
Therefore, we conclude that you are operated primarily for the private benefit of the members, and any public benefit is incidental to private benefit. Accordingly, we hold that you do not qualify for recognition of exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Code.

Further, since more than 15 percent of your gross income will emanate from nonmembers, we hold that you do not qualify as a social club described in section 501(c)(7) of the Code.

You are required to file Federal income tax returns on Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

A large black rectangular redaction box covering the signature area.

District Director